

JUNE 25, 1976

THE UNIVERSALITY OF ECONOMICS: EAST, WEST, AND
EVERYWHERE

ANNCR: THE GROWING INFLATIONARY TRENDS IN THE COMMUNIST COUNTRIES OF EASTERN EUROPE -- ILLUSTRATED BY THIS WEEK'S (THURSDAY) OFFICIAL ANNOUNCEMENT, AND SUBSEQUENT RESCINDING, OF SHARP FOOD PRICE INCREASES IN POLAND -- UNDERSCORE THE HARD TRUTH THAT ECONOMIC REALITY TRANSCENDS IDEOLOGY. VOA NEWS ANALYST WILLIAM LEAVITT HAS THESE OBSERVATIONS.

VOICE: AMERICANS -- WHO'VE BEEN PAYING HIGHER PRICES AT FOOD MARKETS FOR THE PAST SEVERAL YEARS -- CERTAINLY SYMPATHIZED WITH THEIR POLISH COUNTERPARTS WHEN THEY FIRST HEARD REPORTS OF THE PROPOSED PRICE INCREASES. AMERICANS WERE ALSO STARTLED AT THE SIZE OF THE PROPOSED POLISH FOOD-PRICE INCREASES. AMERICAN FOOD PRICES HAVE INDEED RISEN DRAMATICALLY AND ANNOYINGLY...BUT ALSO GRADUALLY. AND THEY HAVE FLUCTUATED IN ACCORDANCE WITH SUPPLY AND DEMAND. ALL THIS WITHOUT PRICE CONTROLS, WHICH WERE TRIED IN THE UNITED STATES IN THE EARLY 1970S, BUT WERE ABANDONED AS IMPRACTICAL AND INFLATIONARY, BECAUSE THEY WERE RECOGNIZED AS A SPUR TO ARTIFICIAL SCARCITY.

IN THE COMMUNIST COUNTRIES, WHERE IT IS THE CUSTOM TO INSIST THAT STRICT CONTROLS OF PRODUCTION, DISTRIBUTION, AND PRICES, PROVIDE IMMUNIZATION AGAINST THE LAWS OF ECONOMICS, THERE ARE OTHER INDICATIONS THAT PLANNING FIATS CANNOT RULE THE WEATHER, CONSUMER DEMAND, OR THE WISH OF PRODUCERS FOR A FAIR RETURN ON THEIR LABOR. REPORTS OF SHORTFALLS IN THE SOVIET GRAIN CROP AND NOT-SO-CREEPING INFLATION IN OTHER COMMUNIST COUNTRIES SUPPORT THIS ECONOMIC REALITY.

SO WHILE IT IS TRUE -- AS MANY WESTERN ECONOMISTS WILL ACKNOWLEDGE -- THAT THE 18TH CENTURY SUPPLY-AND-DEMAND ECONOMICS OF ADAM SMITH CANNOT FULLY EXPLAIN THE GLOBAL INFLATION OF RECENT YEARS -- IT IS EQUALLY APPARENT THAT EVERY COUNTRY IN THE WORLD IS, IN SOME WAY, AFFECTED BY WHAT HAPPENS ECONOMICALLY IN EVERY OTHER COUNTRY.

THIS POINT HAS BEEN MADE REPEATEDLY, IN DIFFERENT WAYS, BY AMERICAN SECRETARY OF STATE KISSINGER AND TREASURY SECRETARY WILLIAM SIMON. AT INTERNATIONAL FINANCE MEETINGS, MR. SIMON OFTEN POINTS OUT A SIMPLE TRUTH -- THAT WHAT NATIONS BUY OR BORROW COSTS MONEY, AND THAT MONEY IS THE FRUIT OF PRODUCTIVITY, NOT DECLARATIONS. AND SINCE RAW MATERIALS ARE THE MAIN SOURCE OF INCOME FOR THE POORER COUNTRIES, DOCTOR KISSINGER HAS RECOGNIZED THAT THE POORER COUNTRIES OBVIOUSLY NEED PROTECTION FOR THE PRICES OF THOSE RAW GOODS. THAT IS WHY HE PROPOSED AN INTERNATIONAL RESOURCES BANK TO HELP PROTECT THOSE PRICES. BUT HE ALSO MAKES CLEAR THE AMERICAN CONVICTION THAT THE STABILITY OF RAW MATERIAL PRICES CAN BEST BE ASSURED IN THE CONTEXT OF AN INTERNATIONAL FREE MARKET.

IN THIS CONNECTION, IT'S NOT SURPRISING -- BUT IRONIC -- THAT THE OVERWHELMING OPPOSITION TO THAT APPROACH AT THE RECENT NAIROBI MEETING OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT -- UNCTAD -- CAME FROM A VOTING COALITION OF THIRD-WORLD AND COMMUNIST-BLOC COUNTRIES.

IRONIC IN COMMUNIST-BLOC TERMS, SINCE AS DOCTOR KISSINGER HAS POINTED OUT, THE SOVIET UNION ITSELF OWES WESTERN FINANCIAL SOURCES MORE THAN FIFTEEN THOUSAND MILLION DOLLARS. INDEED,

THE COMMUNIST-BLOC TOTAL MAY RUN AS HIGH AS THIRTY THOUSAND MILLION DOLLARS.

AND IRONIC IN THIRD-WORLD TERMS BECAUSE, DESPITE ECONOMIC REALITIES AND THE CLEAR FACT OF GLOBAL INTERDEPENDENCE, SO MANY DEVELOPING COUNTRIES CONTINUE TO BELIEVE THAT THE COMMUNIST MODEL FOR ECONOMIC SUCCESS REMAINS VALID. THE RECORD INDICATES OTHERWISE.

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